Competition and consumer: an economic approach

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Received:03./02/2022 Accepted: 24/03/2022 Published:12.../04/2022

Abstract:

Through decades of debate and intellectual theorizing in the field of economics, the great importance of the competition system within the process of economic activity is still emerging. Research and studies are increasingly focusing on this topic and studying its various details; given the role of competition in regulating an important relationship within that process related to producer behavior and consumer behavior.

In this paper, we try to answer a basic question about the role of competition in improving the efficiency of economic activity and achieving the general welfare of the consumer and society in general.

Keywords: competition,competitiveness, product, market, welfare.

JEL Classification Codes: A10

1. INTRODUCTION

Through the development of economic thought in its various stages and stations, one of the main preoccupations of thinkers in particular and politicians in general is the search for those pillars that regulate economic behavior in society and rationalize it in a way that allows economic activity to achieve maximum effectiveness and prosperity from the point of view of the actors within this activity.

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During the past decades, the debate on the issue of “the role of the state in the economy” and the limits and controls of that role has been emerging . The two prominent theses adopted two opposing positions: a proposal that sees it as the most capable of planning, organizing and directing economic activity in order to achieve the general goals of society and achieve the well-being of its members and achieve optimal exploitation of economic resources, and a proposal that sees that the state should be as it was termed a "guardian state." “It is sufficient to control and protect the territory, individuals and property, and what this requires from a limited intervention related to basic services and supporting infrastructure; That economic activity is left free, governed by the principle of competition, which ensures the proper distribution of resources and the achievement of economic goals and the required welfare...

The issue of competition and consumer protection has become of great importance in the recent period in view of the ability of the competition system to improve quality levels and adjust prices in an appropriate manner; The result is in the interest of raising the level of consumer welfare and society as a whole. From this point of view, in this research paper, we will ask the following question:

What is the role of competition in economic activity and consumer welfare?

In order to answer it, we will divide the topic into the following main themes:

- The concept of competition phenomenon;
- Competition Patterns
- scopes of competition
- The economic importance of the competition phenomenon

2. The concept of competition

Although Competition is one of the commonly used concepts, its definition raises a question, especially when attached to its connected term “competitiveness”.

Idiomatically , competition is defined as “a pattern of organizing the relationship between three basic components in the market, which are: economic operators on the one hand, their search for the largest possible profit, on the other hand, workers and their quest to obtain the largest salary, and finally consumers and their constant desire to satisfy their material needs or services at the lowest cost (Mohamed, 2014, p. 16).

When defining competition, we can distinguish between two types: (Abdessalam, 1996, p. 25):

2.1 Indirect competition:

It is represented in the competition and conflict between institutions in a country or a society in order to win and gain the resources available in this country. Institutions, through their search for profitability, , and superiority over their competitors, seek to win the largest share of these resources and in the best conditions, in terms of quality and cost, which allows the institution to maximize profits in light of the fierce competition known by the global economy and trade, and accordingly we conclude that the concept of indirect competition is represented in those conflicts that occur between various institutions in order to win the resources available in the environment with the best quality and lowest possible cost.

2.2 Direct competition:

It is mainly represented in the competition that exists between companies that are active in the same industrial sector or produce The same products or services, and it is this type of competition that concerns institutions more than the first type.

It is noteworthy that competition differs from one sector to another, as some sectors know intense competition and others know limited competition or the so-called oligopoly, while others know monopoly, depending on the number of firms, interventions in the market and the potentials of the stakeholders.

In addition, the definition of “competitiveness” ; the attached term to « competition » might be useful in the clarification of the subject (Tomasz Siudek, 2014):

Table 1. Definitions of competitiveness according to various authors

Author [year]	Definition
Adamkiewicz-Drwiłło [2002]	The competitiveness of a company means adapting its products to the market and competition requirements, particularly in terms of product range, quality, price as well as optimal sales channels and methods of promotion
Altomonte et al. [2012]	External or international competitiveness is the ability to exchange the goods and services that are abundant in home country for the goods and services that are scarce in this country
Ajitabh, Momaya [2004]	Competitiveness of a firm is its share in the competitive market
Barker, Köhler [1998]	Country’s competitiveness is the degree to which it can, under free and fair market conditions, produce goods or services meeting the test of international markets, while simultaneously maintaining and expanding the real inco-

Source: Tomasz Siudek, Aldona Zawojska, competitiveness in the economic concepts theories and empirical research, Oeconomia 13 (1), Warsaw University of Life Sciences, 2014, p93

3. Competition patterns:

The prevailing pattern of competition can lead to the emergence of several types of markets that are differentiated according to the degree to which the competition phenomenon controls the movement of the market; To classify markets according to the type of competition, indicators are adopted, most notably (Hassan, 2006, p. 60):

- Too many or few exhibitors: This is indicated if the output of any facility in an industry is very small compared to the total supply, since any increase or decrease in the quantity supplied by a facility will not have a noticeable impact on the prevailing price in the market for the product concerned; In the event of a small number of exhibitors, any enterprise alone or with a few enterprises can influence a large percentage of the total production of the relevant market;
- The extent of product homogeneity and diversity: homogeneity means the sameness of all units produced by all establishments; While in the case of diversity, products are alternatives very close to each other.

Based on the previous indicators, we can separate the most prominent cases as follows:

3.1 Perfect competition market:

for the state of perfect competition, the following conditions must be met (Hassan, 2006, p. 25):

- Pluralism: there must be a plurality of producers and consumers so that none of them can have a significant impact on the market if it withdraws from it or remains in it;
- Transparency: It is represented in full knowledge of all conditions prevailing in the market so that every buyer or seller can access information related to the market (prices...);
- Commodity homogeneity: The commodity traded in the market must be identical in terms of quality, and specifications so that the consumer does not find a reason to prefer a particular product over the rest of the other producers’ products; Thus, the buyer has the freedom to make a purchase decision or not;
- Freedom of entry and exit from the market: This is achieved if the entry or

exit of suppliers or consumers to a market is without restrictions or barriers. Under perfect competition, every economic operator has the right to enter any product market

 Freedom of entry and exit from the market: This is achieved if the entry or exit of exhibitors or consumers to a market is without restrictions or barriers. Under perfect competition, every economic operator has the right to enter any product market of his choice if he has the necessary financial and technical capabilities He also has the right to leave any market in which he exercises his activity if he chooses to do so without anyone being able to force him to remain there.

- Possibility of movement of production factors between different production sectors: There are no actual or legal obstacles preventing the transfer of different production factors from one sector to another within the same market or to the market of other products.

In fact, experience has shown that a perfect competition system cannot be achieved; As the behavior of the actors within the markets often leads to a reality that is incompatible with the case of perfect competition; The disadvantages of releasing free trade were manifested, which results in the concentration of capital in the hands of a few who control the markets and dominate the process of setting prices and dividing markets and control the process of setting production quotas. It is a natural result of major projects dominating the markets in order to achieve their own goals and maximize their profits (fatehi, 1990, p. 14).

Therefore, economists have traditionally divided markets according to the degree of competition in them into five types (Maghawri, 2004, p. 33):

- Perfect Competition Markets: Its conditions have already been discussed, and its ideality and unrealism have been clarified.
- Monopolistic competition markets: characterized by the large number of exhibitors and the diversity of products;
- Oligopoly markets: characterized by few exhibitors and homogeneity of products;
- Duopolistic markets: characterized by the presence of two exhibitors who dominate the market;
- Absolute monopoly markets: one dominant exhibitor.

3.2 Monopolistic competition markets

The monopolistic competition market is characterized by competitive and monopolistic characteristics at the same time, which can be summarized as follows:

- The presence of a large number of producers of goods that are differentiated between the producers, whether in terms of shape, color, packaging... which results in a bit of monopoly power for each product, as is the case with television producers, soap... as it can be seen that each of the market producers is Monopolistic producer as a monopoly on a part of the total supply of that commodity, and at the same time subject to competition with other producers, which limits the power of his monopoly on the commodity in question (Daoued, 1984, p. 293).
- The traded goods are characterized as being substitutes for each other, where the same need is saturated in an equal manner to a large extent, such as washing powders, for example;
- Competition is not limited to price, but may be in quality and try to adapt to the customer's desires, such as providing services and adapting the shape and design;
- The ability to raise the price of a commodity above a certain limit remains limited due to the possibility of customers switching to other goods.

3.3 Oligopoly market:

This is due to the small number of sellers, so that any of them can directly affect the market, and this is what affects other producers, so the actions are sensitive and very cautious, because any process carried out by the producer results in the reaction on the part of other producers, and here may There is an implicit or explicit agreement between all producers to follow one price policy, and the matter may reach the extent of market fragmentation among them, and things remain as they are in the market as long as any producer cannot control the market alone and get others out of it (betit Ahmed, 2015, p. 18).

3.4. Duopoly market:

In this case, the market consists of two producers who offer the same commodity, or each of them has a commodity that can be a good substitute for the other commodity.

3.5. Total Monopoly Market:

In this case, "monopoly can be considered as one of the most important forms of market organization in which the enterprise is alone in the production of a commodity that has no alternatives close to it" (Selvatore, 1994, p. 239).

meaning that the market of complete monopoly is characterized by the following characteristics (Chanak, 2010, p. 34):

- The presence of a single economic dealer in the market;
- The absence of substitutes for the commodity produced by the monopolistic producer;
- There are major obstacles preventing the entry of new institutions to the market.

4- Scopes of competition:

In order to occupy a strong or dominant position in the market, institutions compete in several areas, the most important of which are:

4.1.time based competition:

Where competition is taking place between institutions to shorten the time in all operations, especially those related to the cycle (supply, production, marketing), and shorten the time between each innovation and the introduction of a new product, i.e. shortening the product life cycle, and on this basis time has become a resource of the institution , and an important factor, and it took a strategic dimension (Mostafa, 1990, p. 2).

4.2 Cost based competition:

Cost-based competitiveness is the ability of the enterprise to produce one unit at a cost less than the cost of production in competing enterprises, and the importance of controlling the cost of production is that “it is not possible to prepare a price policy for the enterprise’s products without continuous control over costs in order to rationalize them and control expenditure levels, because This will contribute to reducing the cost of the product, and thus the freedom to choose the appropriate prices, and thus increase the profit margin compared to competitors (Belkacem, 2002).

4.3 Price based competition:

Price is one of the most important competitive tools between institutions; Price-based competitiveness means that the institution has the flexibility to determine the price and the freedom to reduce or raise it without affecting the volume of demand for its products or the size of its profits.

However, the institution’s adoption of a competitive strategy based on price is influenced by several restrictions, most notably (Dayan, 1999, pp. 112-115):

- Laws: including the exchange policy applied in the state, which makes periodic interventions in order to adjust prices and margins and achieve trade balance, balance the balance of payments and thus control the price ceiling, and in general, these laws limit the freedom of the institution to reduce and raise its prices;
- Productive capacity: Since the ability of the institution to reduce its prices is related to the extent of its production capacity to meet the volume of production.The high demand that accompanies this drop in prices;
- Production costs: They are considered the most important constraint affecting the determination of product prices, since the value of selling prices is related to the cost price;
- The type of market to which the institution belongs: It means the structure of the market to which the institution belongs in terms of the degree of competition and the number of competitors, suppliers, consumers and customers, as the price level takes into account the type of market and the elements forming it;
- The stage of the product life cycle: where the price level of the product is related to the stage it is going through, the institution does not maintain the same level of prices during all stages of the product life cycle, but rather that each stage has the appropriate level for it; As for the launch stage, the institution enters at high prices, to compensate for the costs of research, development and product design... and to curb the initial demand in order to reduce

the restriction on production at its beginning. As for the growth stage, in the case of the success of the product launch stage, the institution maintains its price level. It resorts to lowering its prices, in order to increase its sales, obtain new customers and confront competitors. As for the maturity stage, which is a critical stage for the product, the institution resorts to reducing its prices to maintain its market share, and to confront competing products.

- Demand: It is considered an important constraint for determining prices, as the volume of demand is characterized by its flexibility with the change in the price level, so The institution should take this into account in its price competitiveness;
- Applicable price in the market: where the institution must take into account the prevailing prices in the market, especially competitive prices, by studying and analyzing competitive prices, and the reaction to their prices, which are measured from the old and current competitive prices.

4.4 Excellence based competition:

Competitiveness based on excellence means "the ability of the institution to provide a distinct and unique product that has a high value from the consumer's point of view, with its high quality, unique characteristics of the product, and after-sales services...etc." (Khalil, 1998, p. 87) The institution can achieve excellence in the face of competing institutions through several strategies, most notably (Kotler P, 2000, p. 68):

- Excellence through the product: through the characteristics that characterize the company's products, which lead to gaining a competitive advantage, and these characteristics are:
- Graphics, their attractiveness and ability to promote products and their presence in the largest and most important market sectors;
- The ability of the institution to maintain the confidence of the customers of the product through continuous research and study of consumer behavior and the development of the quality of the product and its permanent improvement;
- The validity of the product, which is represented in its ability to maintain its validity for the longest possible period of time;

- The composition of the product and the availability of its parts, which consists of shape, size and physical appearance, and the availability of its composite parts, especially industrial products. ;
- The shape or general or external appearance of the product, and is concerned with models that achieve many advantages for customers such as comfort and luxury;
- The extent to which the product performs the function assigned to it, meaning the added value it provides and the results that the product achieves. The presence of a difference is an advantage for the institution that has the best.

b-Excellence through the service provided: These capabilities are as follows:

- Ease of placing orders: by using the easy means and methods through which it is possible to place orders for a product or service, such as the Internet, fax...etc;
- Delivery period, which represents the extent to which the institution controls the distribution processes and the delivery of consumer orders in their required time;
- Advice and instructions expressed in the set of equipment provided by the institution to the consumer in technical cards about the product or in advertising flashes regarding the ways and methods of its use and the extent of its contribution to rationalizing consumer behavior;
- After-sales services provided by the institution free of charge or at symbolic prices to its customers after sales operations, such as warranty and maintenance operations

C- Excellence through employees: the organization, by owning a group of employees characterized by a set of characteristics, can achieve competitive advantages, the most important of which can be mentioned:

- Credibility and trust that exists among the members of the institution;
- The method of communication between the members of the institution themselves, and the extent of integration between them

on the one hand and the institution and customers on the other hand;

- Better presentation and good performance of tasks from the competence, experience and ability possessed by the workers;
- Good treatment as well as courtesy, especially on the part of agents who are distributed through various points of sale, and who have a direct business relationship with customers.

d- Discrimination through points of sale; This is achieved through:

- Protection and security of the various points of sale;
- The experience of salesmen in various distribution and sales centers in achieving the best deals;
- Good performance of salesmen and the extent to which a high value of sales is achieved.

e- Excellence through the corporate image; This is done through:

- The history of the institution, its depth and richness, and the richness of its traditions;
- Symbols and labels that distinguish it from other competitors, such as the commercial department or the brand;
- The media used to promote its products and the extent to which it enjoys a good reputation with customers, especially audio-visual ones;
- The physical environment of the institution, that is, the extent of the institution’s building and the connotations that it can suggest in the mind of the customer;
- Events and actions carried out by the institution that deviate from the economic nature, by working on financing and investing in the cultural and sports field, or carrying out charitable and humanitarian work, which leads to giving a good image and impression to the dealers.

5. The economic importance of competition:

In many cases, experience has shown that a healthy competitive situation leads to many economic and social benefits for producers as well as for consumers, the most important of which are:

- Organizations tend to control more production costs, which ultimately leads to rationalizing the exploitation of available resources and preventing waste and waste;

- Encouraging creativity, innovation and innovation in production methods and in the management and management style;
- Enhancing technical development by trying to introduce new, more effective products;
- Efficiency in satisfying the needs of the consumer and society;
- Helping to achieve a reasonable distribution of wealth, which prevents the problems of inequality and classes;
- Preventing price hikes and making goods more accessible to consumers; What secures him a better level of satisfaction and, as a result, a good level of well-being for the individual and society.

The importance of competition can also be demonstrated by looking at the harms of monopoly and restricting competition; Which can be summarized as follows (Zaidi, 2016, p. 28):

- low level of production and high level of prices;
- Controlling the supply of goods in the market and the ability to create crises;
- harming consumers by loading the goods subject of the monopoly with another stagnant or unwanted product;
- The lack of quality of the monopolized product due to the condition in which it is located;
- Increasing unemployment in some specializations due to the monopoly of a particular industry using modern and labor-saving technology;
- Injury to the owners of small enterprises operating in the industry subject of the monopoly;
- The monopolists influence the economic and political conditions of countries.

6. CONCLUSION The developments witnessed by the economy from both sides: on the level of intellectual and theoretical theorizing; As well as on the level of practice and reality to highlight the importance of the phenomenon of competition in raising the effectiveness of economic activity from the point of view of the various actors within the production and exchange process.

The competition-based mode of exchange allows to regulate the relationship between three prominent components of the market:

- productive institutions: by regulating their behavior in pursuit of the greatest possible profit;
- the workers: by regulating their behavior in pursuit of the highest possible money wage;
-Consumers: regulating their behavior based on the desire to achieve maximum satisfaction of their needs at the lowest possible cost.

From this point of view, many countries tended to launch the competition system as a mechanism for organizing and directing economic activity in order to achieve the required balances between the various actors, satisfy the needs of society and raise the level of its welfare.

However, this requirement is not imagined to be achieved in its ideal form on the ground due to the numerous restrictions and the continuous fluctuations that characterize economic activity; Therefore, the efforts of states should focus on consolidating the competition system and protecting it from everything that may impede its proper functioning with the appropriate laws and legislation.

From the above mentioned, the most important recommendations can be deduced as follows:

- Launching the economic initiative and liberalizing economic activity in a way that contributes to valuing the resources available in society and raising the efficiency of their exploitation;

- Studying the legal system related to the establishment of projects and institutions and organizing their work in a way that encourages them to engage in constructive competition that contributes to the prosperity of the economy and society;

-establish appropriate laws to prevent harm to the mechanism of competition and to avoid the economy and society from monopoly problems and practices incompatible with organized and legitimate competition.

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